

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF NATIONAL ESTIMATES

6 September 1963

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Problems in Southeast Asia

NOTE

This memorandum contains a brief and general view of the principal current problems in Southeast Asia insofar as they bear directly on US interests. These problems are: the Communist threat in general; the Indonesia-Malaysia controversy; and the situations in Laos and in South Vietnam.

I. GENERAL CONSIDERATIONS

1. Except in a few spots, Southeast Asia does not exhibit such extremes of poverty and human misery as are found in some other parts of the underdeveloped world. Only in Java is there a serious problem of overpopulation. The area produces copious amounts of agricultural products and minerals, and sells its surpluses abroad. It is rich in natural resources, with good potential for economic development.

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UNITED STATES GOVERNMENT

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# *Memorandum*

TO : The Director

DATE: 6 September 1963

FROM : The AD/NE

SUBJECT: Attached Memorandum for the Director, "Problems in Southeast Asia."

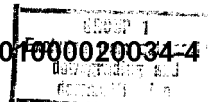
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CONCUR:

Deputy Director/Intelligence

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2. Yet the region is also marked by great ethnic and cultural diversity. Substantial Chinese minorities exist in every country; in Singapore Chinese constitute the vast majority of the population. Industrious and often highly successful in business and finance, the Chinese are generally disliked and sometimes persecuted. They occasionally present a considerable political problem. Almost all of the countries contain besides the Chinese a variety of indigenous tribal, cultural, and linguistic groups, exhibiting a great diversity of characteristics, and sometimes hostile to each other.

3. The recent ending of colonial status in all these countries (except for Thailand, which was never a colony) has left them deficient in accustomed institutions and habits of government, and in most cases sorely lacking in competent civil servants. There is virtually no feeling of regional unity, and in few of the states do the people have any vigorous sense of national identity. The groups capable of governing have diverse ideas about how to govern, what policies should be followed, or indeed what the purpose of governing should be; some favor radical reform and some oppose any but gradual change.

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4. Moreover, though Southeast Asia is in some respects a comparatively fortunate part of the underdeveloped world, it still exhibits a high prevalence of illiteracy, poverty, ethnic tensions, wide gulfs between the elite and the masses, and the frustrations of underdevelopment in the face of growing knowledge of the outside world. There is a pressing desire for modernization and for greater personal security. There is resentment of the vestiges of colonialism, some of which are thought to be retained in the guise of economic relationships with former metropolises or with the US. And, as producers of primary products, all countries in the area are highly vulnerable to fluctuations in world prices.

5. The indigenous tendencies toward Communism which exist in the area, and which are nourished by many aspects of the political and social situation, could probably be kept within manageable proportions if it were not for the pressure and influence exerted from outside by the USSR, Communist China, and above all, North Vietnam. Probably also the Communist threat from abroad could be countered, with US assistance, if the political and social situation in the various countries were healthier and more stable. The

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combination of threat from abroad and weakness at home, however, makes the defense against Communism precarious and difficult. Indeed, considering the vulnerability of the area, the fact that Communism is presently an active armed threat only in South Vietnam and Laos is somewhat surprising, though not particularly reassuring. The Communist threat to other countries is subtle and long-term. There is no prospect of its early removal.

**II. MAJOR CURRENT PROBLEMS**

**A. Indonesia and Malaysian Federation**

6. The stimulus for and the obstacles to the proposed Malaysian Federation typify some of the broad problems of the area. The Federation was designed to solve the Singapore problem for the British, who wanted to get out and turn the colony over to Malaya; the Malaysians sought the Borneo territories in order to gain a non-Chinese majority and protect themselves from domination by the Singapore Chinese. Most of the Chinese, including those in Singapore, do not really object to the Federation, because they think they can come to dominate it as they have come to dominate Singapore.

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The Indonesians fear Malaysia, not only as a possible rival for influence in the region, but as an attraction to the non-Javanese peoples of Indonesia, who have not yet developed loyalty to Jakarta. In their desire to frustrate the formation of Malaysia the Indonesians have carried on a subversive and propaganda campaign in Borneo, together with vigorous diplomatic maneuvering on a broad front. This has only succeeded in postponing the date; Magphilindo has provided a forum for further discussions aimed at disruption; it also provides some cover for the subversive activities Indonesia continues to pursue.

7. It seems highly probable that Indonesia will be the major country of Southeast Asia and perhaps the key to the future of the area. Far larger and richer than the countries of mainland Southeast Asia, and certainly more powerful militarily, Indonesia if it were effectively led would certainly exert preponderant influence in the region politically and economically. The USSR apparently regards Indonesia as a big enough prize to warrant a rather considerable investment, even though a principal result of the Soviet effort has been to strengthen the Indonesian military against its major

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competitor, the Communist Party. It is far from certain, however, that present Indonesian leaders will exercise the kind of leadership which will make their country predominant and not merely big. As long as Sukarno is in charge, the country seems certain to have fine speeches, subversion directed against neighboring countries, a very badly fouled-up economy, and a consistent ignoring of basic domestic problems. Pursuit of external goals will be partly designed to foster national unity, and the expansionist aims of Indonesia will remain one of the main sources of discord and difficulty in the area.

3. It still seems likely that Malaysia will get off the ground, though not so auspiciously as it would have if the Tunku had not been led down the negotiating path by Sukarno. In terms of economics, Malaysia enjoys many advantages; its difficulties lie in the sphere of politics. Indonesia will continue to hamper Malaysia's orderly development by political and subversive activity. Should this obstacle be surmounted, the principal long-term question regarding Malaysia will be whether its leaders will work with the Chinese minority instead of against it, whether they will

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use the energy and initiative of this group to strengthen and develop the new nation, or whether they will forfeit this in the interest of Malay domination, thus rendering the Chinese minority ripe for subversion and making the whole state vulnerable to communal disturbances and Communist penetration.

B. South Vietnam

9. Regardless of the causes or the outcome of the current political crisis in South Vietnam, the fact that it has occurred has weakened the effort against the Communist guerrillas, and indeed has weakened it at precisely the time when the planning and the operations of the past two years were beginning to pay off. It now appears to us that relations between the Diem-Nhu regime and the public, and between the regime and the US, have been so disturbed as to make victory over the Viet Cong doubtful if not impossible. Such a victory will in the long run require the loyal cooperation of the population. It will also require a regime which is willing to work closely and effectively with the US. Recent events suggest -- although they do not necessarily prove -- that the Diem-Nhu regime is unlikely to meet either requirement.

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9. Laos

10. The third major problem in the area -- that of Laos -- is one containing elements of a unique character. The country is extremely "soft" in the sense that solid governmental authority has never really existed and the acquisition of control in any one or more areas has little significance for the country as a whole. Relations among the various leaders, both Communist and non-Communist, are based upon a variety of factors -- money, military deployment, supplies and logistics, personal friendship or animosity, ambition, and political belief.

11. In these circumstances, and in the absence of large-scale outside intervention, no early resolution of the political situation is in prospect. While the Communists are and will remain a major force, and have perhaps the best chance of eventual victory, the other elements are likely to continue to exist, and even to thrive, so long as they receive outside support. The three-party coalition solution has worked in the sense that it created a stabilization somewhat more difficult to breach than the state of

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semihostilities that had previously existed. It has not worked in that it has not provided a real government or a real truce. The struggle continues under a facade of coalition, with the political and personal relations of the politicians and soldiers taking some precedence over their military movements as determinants of the slow-moving pace of government -- such as it is.

D. Other Developments in the Area

12. Apart from the immediate and critical situations just discussed, the problems of the area are essentially those of countries moving uncertainly and slowly toward the twentieth century. Pressure for modernization is encouraging revolutionary change and fervent neutralism in Burma. Trying to find its own way to socialism under the uncertain and disturbed dictatorship of Ne Win, Burma is far from tranquil and is flirting with radical socialism. But there is not yet any persuasive indication that it is moving toward identification with China. Cambodia, under the egocentric but well-meaning dictatorship of Sihanouk, is an example of the advantages of neutralism and of the good fortune of having no Communist state contiguous to its territory. There is no

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guerrilla movement, no significant opposition, no special position occupied by any foreign power, and some slow social and economic advance. Again, there is no persuasive indication of any slippage toward identification with China.

Thailand, under the conservative dictatorship of Sarit, has become somewhat disillusioned by US willingness to accept the coalition solution in Laos. Sarit is particularly worried over the Siamese northeast, to which the Laotian Communists have ready access. Present indications are that the northeast can be secured and that the Thais will continue to cooperate with the US, albeit with less enthusiasm than in the past.

13. The Philippines are moving away from their long and close identification with the US towards greater identification with the other peoples of the region. This is the clear implication of their joining in the Magillinde confederation, and it has been explicitly declared by the Philippine Foreign Minister. Thus the Philippines, which in the past have remained aloof from the quarrels and politics of Southeast Asia, have begun to take part in them. In time, the effect may be to curtail US influence and eliminate the

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special US position. Nevertheless, the Philippine leaders do not now seem likely to do much more than gradually and slowly move toward a position of greater independence of US influence; they are unlikely dramatically to cast it off while the area as a whole remains so unstable.

2. The Problem of Communism

14. During recent months the Communist threat in the area has certainly not declined, but neither has it materially increased. Probably the most significant development on the Communist side has been the lessening of the influence of the USSR in the area. We do not believe that the Soviets could now control the course of events in Laos, for example, even if they wished to do so. Neither could they control, in detail, other activities of the North Vietnamese regime. They might still exert a weighty influence against any contemplated acts of extreme adventurism or grave risk.

15. We do not believe, however, that either the North Vietnamese or the Chinese Communists contemplate running grave risks of large-scale military confrontation with the US. They almost certainly expect to maintain pressure in Laos and in South Vietnam at a point safely short of that which they

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believe would provoke direct and major US military action. They are not in a hurry.

16. Apart from the immediate crisis in South Vietnam, the chief new danger in the area arises from the Indonesia-Malaysia controversy, which will almost certainly develop into a long, tedious, and inconclusive conflict, with Indonesian or Indonesian-trained guerrillas disrupting the situation in northern Borneo and agents conducting subversive activities in Malaya itself. At the moment, direct Communist involvement in the situation is slight, but it is almost certain to increase whether or not the Indonesians desire it to do so. We have doubts that the British will be able or willing adequately to police the frontiers in Borneo over a sustained period; it seems likely that the US will have to decide, before long, whether to become involved in another major project of counterinsurgency.

FOR THE BOARD OF NATIONAL ESTIMATES:

HERMAN KRAFT  
Chairman

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